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FEDERAL DIARY

Round 2

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If Congress decides to freeze federal pay, rather than approving the president's proposal to cut it 5 percent, the administration plans to go after employee paychecks another way: It will seek to raise their retirement contributions from 7 percent of salary to 9 percent.

An increase in retirement fund contributions would have to be approved by both the Senate and House. The cut in take-home pay would bring in millions of additional dollars in pension contributions to the Treasury. The federal payroll now exceeds \$6 billion a month.

On Tuesday, the Senate Budget Committee rejected the president's proposal for a 5 percent federal pay cut coupled with a raise for military personnel. Instead, it approved a pay freeze next year for both civilian and military personnel.

Although the budget battle is only beginning in Congress, it appears less likely each day that the Senate and House will go along with federal salary cuts, which would be economically damaging to hundreds of communities across the nation.

Although the Washington area, with its big concentration of civil servants, would lose \$2 million a day if the pay cut goes into effect, other areas also would be hard hit. About 87 of every 100 federal employees live, work and vote outside of the Washington area, a fact not lost on members of Congress.

The federal payroll exceeds \$1 million a month in each of nearly 300 small and medium-sized communities from California to Massachusetts.

Some civil-service watchers think the 5 percent pay proposal was a ploy by the Reagan administration, a poker chip in the high-stakes budget battle.

"They ask for a cut knowing they won't get it, and then 'reluctantly' settle for a pay freeze and higher retirement contributions," a union lobbyist said yesterday.

Administration officials insist that they are not that devious

(or smart). "We proposed the pay cut because we think it is right [and] justifiable . . .," an official of the Office of Personnel Management said yesterday.

OPM Director Donald Devine described the Senate Budget Committee action as "just Round 1," an aide said. He said the agency will push for the 5 percent pay cut, "unless we hear differently from the White House."